

**TAB 9**



# City of Palmetto Agenda Item

**Meeting Date**

11/1/10

**Presenter:** Jim Freeman

**Department:** City Clerk

**Title:**

**Budgetary Policy**

**PROBLEM:** To approve the establishment of a formal budget policy. To ensure the fiscal stability of the City and provide guidelines for City Staff.

**BACKGROUND:** On August 2, 2010 the City Commission discussed the proposed Budget Policy in the workshop. The City Attorney has reviewed, proposed and approved language changes. Staff is recommending approval of the attached resolution to establish Resolution 2010-22 Budgetary Policy. This policy is being submitted to City Commission to establish goals, objectives, guidelines and rules staff will follow when developing budget. Also, the City submitted its 2010 Budget for the Distinguished Budget Presentation Award. It is required that this document include all financial and budget policies used by the City in its development of the budget. This award was received by the city, however several comments were made concerning the goals and objectives, and strategic planning portion of the budgeting process.

This policy addresses general budget policies, utilizing fund balance in budgeting, operating and capital budgets, long and short term strategic planning, forecasting revenues and expenses, and the process of submitting the budget to Commission. It documents many procedures that are currently being performed and defines the scope and structure of the budget. There are three major areas - utilization of fund balance, reserves for capital acquisitions and carry forward encumbrances - have been defined and has been given careful consideration.

Two changes have occurred in this policy document - 1) Section 5E - The carried-forward encumbrances will be budgeted through a budget amendment brought to Commission in October of the subsequent year and must be balanced in the manner originally stated. 2) Section 5J - The specific cost centers have been removed to allow for any future changes deemed necessary and the percentage has been removed.

Other track changes indicate changes suggested by the City Attorney and other clarifications in wording.

<b>Budgeted Amount:</b>	\$0.00	<b>Budget Page No(s):</b>		<b>Available Amount:</b>	\$0.00	<b>Expenditure Amount:</b>	\$0.00
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**Additional Budgetary Information:** To establish budgetary policy

<b>Funding Source(s):</b>	N/A	<b>Sufficient Funds Available:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>Budget Amendment Required:</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<b>Source:</b>	
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<b>City Attorney Reviewed:</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A	<b>Advisory Board Recommendation:</b>	<input type="checkbox"/> For <input type="checkbox"/> Against <input checked="" type="checkbox"/> N/A	<b>Consistent With:</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A	
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**Potential Motion/Direction Requested:** To approve Resolution 2010-22, Budgetary Policy.

**Staff Contact:** Karen Simpson Finance

**Attachments:** Proposed Budgetary Policy

**RESOLUTION 2010-22  
BUDGETARY POLICY**

**A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF PALMETTO, FLORIDA, TO ESTABLISH POLICY SETTING GUIDELINES FOR THE ESTABLISHMENT OF THE CITY'S BUDGET FOR THE PURPOSES OF ENSURING THE FINANCIAL STABILITY OF THE CITY**

**Whereas**, the City Commission, in and for the City of Palmetto, Florida, hereinafter referred to as "Commission", endorses sound financial policies and practices; and

**Whereas**, the Commission has determined that a Budget Policy tailored to the particular needs of the City is the most responsible way to provide guidelines for the budgeting and management of public funds of the City and to maintain the financial strength; and

**Whereas**, it is essential that the Commission establish a Budget Policy to provide guidelines for the (1) general outlining of the fund structure, forecasting and basis of budgeting, (2) utilization of fund balance in budgeting, (3) preparation, administration and measurement of the operating budget, (4) budgeting and utilization of city revenues, (5) preparation, funding and administration of the capital improvement plan, and (6) the submission of the budget to and the passage of the budget by City Commission.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF PALMETTO:**

**SECTION 1: FINDING OF FACT**

The above-referenced "WHEREAS" clauses are adopted herein as findings of fact.

**SECTION 2: PURPOSE**

The purpose of this policy is to set forth the budgetary objectives and parameters for the management of public funds of the City of Palmetto, Florida (hereinafter "City"). The budget is a dynamic rather than static plan and will require periodic adjustments and amendments. Therefore, these policies are designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed and guidelines for the long-term planning for the budgeting of future revenues and expenditures.

**SECTION 3: GENERAL BUDGET POLICIES**

The City of Palmetto and the Commission is responsible to its citizens to carefully account for all public funds, to manage City finances wisely and to plan for the adequate funding of services desired by the public. This includes the provision of services and maintenance of facilities. This Budget Policy is designed to establish guidelines for

budgeting practices that will ensure the fiscal stability of the City and provide guidelines for City staff.

The City's goal will be to adopt operating budgets where current revenues equal or exceed anticipated expenditures. All departments supported by the resources of this City must function within the limits of the financial resources identified or available specifically to them. A balance must be struck between revenues and expenditures, so that the public can realize the benefits of a strong and stable government. Temporary shortages, or operating deficits, can and do occur, but they are not tolerated as extended trends.

#### **A. SCOPE**

This policy applies to all appropriated or budgeted, funds which are the responsibility and under the management of the City of Palmetto, its Finance Department and the Department Heads.

#### **B. FINANCING CURRENT COSTS**

Current costs shall be financed with current revenues, including the use of authorized fund balances. The City shall strive to avoid short-term borrowing to meet cash flow requirements. However, the City may enter into short-term borrowing with City Commission's approval should a need arise.

#### **C. BUDGET STRUCTURE AND OBJECTIVE BY TYPE OF FUND**

Governmental Funds – Subject to annual appropriation

1. General Fund – The annual budget for the General Fund shall provide for general government operations of the City and maintain working capital necessary for the City's financial health and stability.
2. Special Revenue Fund(s) – The City adopts annual budgets for each special revenue fund that demonstrates any legally restricted revenue sources are used consistent with the applicable laws and/or regulations. The following funds are considered special revenue funds to the City:
  - a. Community Redevelopment Agency Fund (CRA) – accounts for the rehabilitation, conservation and redevelopment of certain slum or blighted areas of the City. This fund receives revenue primarily from tax increment financing from the City and Manatee County.
  - b. Road and Bridge Fund – accounts for the construction, maintenance, repair and replacement of the City's streets roads and bridges. Financing is provided primarily through motor fuel taxes.
3. Capital Projects Fund(s) – The City adopts project budgets for its governmental capital CIP projects in the capital projects fund. These

adopted appropriations do not lapse at the end of a fiscal year; rather they remain in effect until project completion or re-appropriation by City Commission. The City has two capital projects funds:

- a. CIP Fund – accounts for the development and construction of the projects included in the City’s five-year capital improvement plan.
- b. CRA Capital Projects Fund – accounts for the activity and transactions associated with the capital projects funded by the CRA.

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#### Enterprise Funds – Subject to annual appropriation

A business approach is used in budgeting for enterprise funds and although generally accepted accounting principles (GAAP) do not require the City to adopt budgets for enterprise funds, it is the City’s policy to do so in order to monitor revenues and control expenses. Enterprise funds shall be self-supporting whenever possible and subsidized losses will be minimized when breakeven is not possible. The City’s four enterprise funds are as follows:

1. Solid Waste Fund – accounts for the provision of garbage and trash collection to the City.
2. Water and Sewer Fund – accounts for the provision of water and sewer service to the City and certain surrounding areas.
3. Stormwater Fund – accounts for the operation of a stormwater utility to improve stormwater drainage throughout the City.
4. Reuse Water Fund – accounts for the operation of a reclaimed water utility to provide reclaimed water for irrigation in the City.

#### Internal Service Funds – Not subject to annual appropriation

Internal service funds accounts for services provided to other departments within the City on a cost reimbursement basis. These services include general health and life insurance benefits and payroll liabilities. These funds operate on a self-supporting basis and include:

1. Medical Insurance Fund – accounts for revenues and expenses associated with the employee’s health and life insurance benefits. Revenues are contributions from the City and its employees through payroll activities. Expenses are the insurance premiums and closely match revenues.
2. Payroll Liabilities Fund – accounts for payroll type expenses associated with payroll taxes and supplemental benefits. Revenues are primarily from payroll deductions from employees and employer benefits.

#### Fiduciary Funds – Not subject to annual appropriation

Fiduciary Funds report the pension trust funds which account for the activities of the Police and General Employees Pension plans. These funds accumulate resources for pension benefit payments to qualified

employees and are overseen by separate pension trustee boards which contract with third-party managers for the investment and management of pension funds.

#### **D. BALANCED BUDGET**

The budget shall be balanced for each budgeted fund. A balanced budget is defined as total anticipated revenues plus any portion of fund balance (see Section II below) that is designated as a budget-funding source shall equal, or be greater than, total estimated expenditures for each fund.

#### **E. BASIS OF BUDGETING**

**Modified Accrual Basis for Governmental Funds** - All Governmental Funds (General Fund, Special Revenue Funds, and Capital Project Funds) are reported in the Comprehensive Annual Financial Report (CAFR) and budgeted during the year using the modified accrual basis of accounting. Modified accrual is essentially accrual accounting, modified to recognize the governmental environment and unique accounting measurement objectives. Revenues are generally recognized during the fiscal year when they are quantifiable, measurable and there is a reasonable expectation that they will be collected during that period. In most cases, expenditures are recorded when the good or service is actually delivered, regardless of when the funds are disbursed. As a budgetary control measure, the funds will be encumbered, and the available budget reduced when the good or service is ordered.

**Accrual Basis for Enterprise Funds** – Enterprise Funds (Solid Waste, Water and Sewer, Stormwater and Reuse funds) are reported in the CAFR and budgeted during the year using the accrual basis with certain differences as listed below. Revenues are budgeted based on the measurable amount expected to be “earned” during the fiscal year. Expenditure estimates are developed for all expenses anticipated to be “incurred” during the fiscal year. Revenue is recognized when earned and expenditures are recognized when incurred. Transactions are recorded when they occur - regardless of when cash is received or disbursed. This is essentially the same method used in the private sector; however there are a few differences:

1. Capital expenditures and debt principal are budgeted as appropriations
2. Compensated absence accruals and depreciation costs are not budgeted as they are non-cash items

#### **F. FORECASTING**

The City will strive to develop and annually update a mid-range (three to five year) financial forecasting system, which will include projections of revenues, expenditures, future costs and financing of capital improvements and other

projects that are included in the capital budget and the operating budget. A multi-year forecast of combined revenues and disbursements will be developed and updated periodically. Individual and aggregate revenue categories, as well as expenditures, will be projected by revenue and/or expenditure type. Historical growth rates, inflation assumptions, and City expenditure priorities will all be used in developing the forecast. This tool is used as a planning document for developing the budget guidelines and for evaluating the future impact of current year decisions.

#### **SECTION 4. UTILIZATION OF FUND BALANCE**

##### **A. DEFINITION OF FUND BALANCE/NET ASSETS**

Fund balance and/or net assets are the result of the previous fiscal year's beginning cash balance plus revenues received minus actual expenditures. It includes unallocated resources that may be used to fund new projects/programs as well as unspent allocated funds, which will be carried forward to fund those existing projects/programs. Fund balance is adjusted for inventory and other non-cash assets and liabilities.

##### **B. FUND BALANCE RESERVES**

The City's approved fund balance policy requires a minimum of three months and a maximum of six months of the current year's expense budget to be held in reserve for unforeseen emergencies as a budget stabilization measure. The fund balance and/or net assets are those balances listed as unreserved or unrestricted in the City's Comprehensive Annual Financial Statements (CAFR).

##### **C. UTILIZATION OF FUND BALANCE IN EXCESS OF REQUIRED RESERVES**

The City Commission may approve the use of fund balance once a fund has reached the required minimum reserve balance of three months of budgeted expenditures. The use of fund balance in excess of the minimum requirement may be approved for the following reasons:

a. Funding a shortfall in the City's operating budget

If necessary, and in extreme circumstances, the City Commission may approve the use of fund balance for budget stabilization as a funding source for that fund's budget in any given year. The utilization of fund balance shall be deemed a use of one-time revenues for budgeting purposes.

b. Funding a Reserve for Capital Acquisitions

The City Commission may approve the use of fund balance to establish a reserve for capital acquisitions as outlined in Section II, D. These expenditures may be included in the City's CIP and/or the operating funds.

#### **D. RESERVES FOR CAPITAL ACQUISITIONS**

Although a number of options are available for financing capital purchases and projects, including debt proceeds and grants, it shall be the policy of the City to balance the use of these funding sources against the ability to utilize current revenue and excess fund balance reserves. The City Commission shall continue to emphasize the importance of maintaining a balance between pay-as-you-go financing and debt financing for capital projects. Financing capital projects and purchases on a pay-as-you-go basis from current revenues indicates the City's intent to show purposeful restraint in incurring long-term debt. The decision for using current revenues to fund a capital project is based on the merits of the particular project in relation to an agreed upon set of criteria.

In an effort to enable the City to fund capital projects without incurring additional debt, and when sufficient current revenues are not available, reserves for capital acquisitions may be established as needed upon City Commission approval. These reserves can only be established in each fund which has met the minimum fund balance reserve requirements and will be increased only to the extent that the minimum fund balance reserve is maintained. Reserves may be established in each eligible fund from the fund balance/net assets in excess of the minimum required stabilization reserve. The Capital Acquisition Reserve may be added upon each year using one or more of the following funding sources:

- a. The total or a percentage of, depreciation expenses in the Enterprise funds as stated in the annual CAFR.
- b. The total net change in fund balance or change in net assets as stated in the annual CAFR Fund Statements.
- c. The excess of fund balance over minimum requirements as approved and assigned by City Commission during the budget process.
- d. A specific amount in excess of the minimum requirement as approved and assigned by City Commission during the budget process.

#### **E. REPLENISHMENT OF INSUFFICIENT RESERVES**

In the event that a fund's fund balance reserve is reduced below minimum requirements due to the use of fund balance/net assets, allocation to the capital acquisition reserve, an unforeseen reduction in fund balance or any combination, the City Commission may approve any of the following measures to replenish the reserve:

- a. Reduction of the Reserve for Capital Acquisitions by an amount needed to re-establish the minimum requirement provided the capital reserved funds have not been obligated.



- b. Amend current year budget to allow for additional funds to be allocated to the fund balance reserve and to return it to the minimum required amount.
- c. Take no corrective action due to timing or immateriality of the shortage in the fund.

## **SECTION 5. OPERATING BUDGET**

The operating budget shall be prepared on an annual basis and include those funds detailed in Section I that are subject to annual appropriation. Prior year actual data will be provided as reference data, with the current year budget and projection of expenditures.

### **A. LEVEL OF BUDGET ADOPTION AND CONTROL**

All budgets shall be adopted at the legal level of budgetary control, which is the cost center (department) level within each individual fund. See Section III G for the process to amend the budget.

### **B. DEPARTMENTAL APPROPRIATIONS/BUDGET**

The budget shall be developed based upon "line-item" expenditures within each department (City Hall, Police Department, Public Works and CRA) and cost center. This type of budget focuses on categories of expenditures such as personnel services, contractual services, supplies, equipment, etc. within each department. Each cost center's budget in each fund shall be detailed within the budget document.

### **C. BUDGET PREPARATION CATEGORIES**

The Finance and Human Resource Departments will be responsible for submitting and loading budget information associated with general personnel wages and benefits for all cost centers. The Police Department will be responsible for submitting budget specifically associated with sworn officers such as incentive pay. All departments are responsible for overtime budgets.

Each department shall submit operating budget requests for current services necessary to provide the same level of service for the upcoming year that is currently being provided and expanded services associated with new services, additional personnel or new capital projects/equipment. These budgets typically include operating and capital expenses with certain exceptions. The Finance Department will be responsible for submitting, and loading budget information, for insurance, debt service and lease payments for all cost centers.

#### **D. PERFORMANCE MANAGEMENT/MEASURES**

A key responsibility of the City is to develop and manage programs, services and their related resources as efficiently and effectively as possible and to communicate the results of these efforts to its citizens. Performance management and measures, when linked to the City's mission, goals, objectives and the budget and strategic planning process, can assess accomplishments on an organization-wide basis. When used in conjunction with the long-term planning and goal setting, meaningful performance measurements can assist government officials and citizens in identifying financial and program results, evaluating past resource decisions, and facilitating qualitative improvements in future decisions regarding resource allocation and service delivery.

In addition to the line item budget, the budget document shall include performance management and measurement information. Each cost center will develop its mission statement and goals to support the City's strategic and financial plans. Performance measures will be identified, tracked, analyzed and reported for each cost center to assess the level of success in achieving the cost center's mission and goals.

#### **E. STATUS OF ENCUMBRANCES AT YEAR END**

It is the City's desire to keep encumbrances carried forward from prior years to a minimum since these can have a negative impact on the balanced budget in the subsequent year. However, it is not the City's intention to automatically close all encumbrances at the end of year, regardless of its status. An evaluation process throughout the year will be established to ensure that a cost center's budget is not unnecessarily encumbered and carried forward to the next budget year.

All encumbrances will be reviewed by the cost centers quarterly. Purchasing and Finance will review all open encumbrances for completion status by September 1<sup>st</sup> of each fiscal year. Encumbrances for cost centers which are not expected to be completed and/or received during the fiscal year and are not supported by a signed contract will be evaluated by Purchasing and Finance for status. All encumbrances not required to be carried forward into the next budget year will be closed and liquidated. Encumbrances for grants and capital projects will be automatically carried into the next fiscal year along with the identified funding source. Approved capital projects, will be reappropriated and modified according to the CIP detail sheet adopted by City Commission. All budget for any encumbrances carried forward to the new budget year must be included in the balanced budget through the approval of a budget amendment no later than October of the subsequent budget year. Fund Balance may be used as

funding only if the fund meets the minimum requirements of the Fund Balance Policy or by approval of City Commission.

#### **F. BUDGET CONTROL REPORTS**

The City's Finance Department shall maintain a system of budgetary control reports to assure adherence to the budget. The Finance Department will prepare and distribute to City Commission and its departments, timely monthly financial reports comparing actual revenues and outstanding encumbrances and expenditures with budgeted amounts.

A quarterly review will be presented to City Commission outlining the budget status in each fund along with key issues affecting each fund. Additional information will be provided on insurance, debt, investments and pension.

#### **G. AUTHORIZATION OF BUDGET TRANSFERS AND AMENDMENTS**

The budget is a dynamic rather than static plan, which requires adjustments and formal budget amendments as circumstances change. The City Commission must approve all increases or decreases in total departmental, cost center or fund appropriations

Budget Amendments: Throughout or subsequent to each year, any necessary budgetary appropriations, including budgets for any projects authorized but not funded during the year, may be appropriated through a Budget Resolution. Such resolutions shall be balanced with additional revenues, reduced expenditures or fund balance for each fund and approved by City Commission.

Budget Transfers: Department Heads must submit budget transfer requests transferring budget from one line item to another within the same cost center. All budget transfers into or out of the following expense line items require City Commission approval through a budget amendment:

- Personnel
- Insurance
- Contingency line items
- Debt Service
- Inter-fund transfers

Budget transfer requests are reviewed by the Finance Department and approved by the City Clerk. Transfers from appropriations that have been obligated, committed, or reserved for a designated purpose shall not be transferred until a formal de-obligation occurs.

#### H. CONTINGENCY LINE-ITEM

The City shall establish an appropriated contingency in all budgeted departments (City Hall, Police Dept., Public Works and CRA) in order to accommodate unexpected operational changes, legislative impacts, or other economic events affecting the City's operations which could not have been reasonably anticipated at the time the budget was prepared. Non-budgeted funds shall not require a contingency appropriation.

This contingency appropriation will be a separate line item within the budget. This amount shall be subject to annual appropriation. City Commission approval shall be required for all transactions within the contingency line item(s).

#### I. CONTRIBUTIONS

The City welcomes both unrestricted and restricted contributions compatible with the City's programs and objectives. Prior to becoming City property, any material contribution or donation must be accepted by City Commission. Any material contribution shall be appropriated by City Commission prior to expenditure. Material contributions or donations shall be defined as one-time monetary or personal property contributions or donations valued at \$5,000 or more of real property of any kind.

#### J. ADMINISTRATIVE SERVICE FEE/ALLOCATIONS

Several General Fund cost centers provide support to the entire city including non-General Fund cost centers. These cost centers include Human Resources (516), Finance (515), Information Technology (513), Public Works Administration (540), Fleet (549) and Engineering (542) but may be amended as needed. Each year, the City may assess an administrative service fee from the General Fund to any other fund and may include the Building Department cost center, based on selected factors determining the percentage of the total budget of the six allocated cost centers. These factors may include positions per cost center, services provided, as well as other factors as deemed appropriate. The purpose of the allocations is to reimburse the General Fund for the administrative and support services provided to the assessed fund. The basis of the allocations will be determined during the annual budget process, be kept on file in the Finance Department and included in the budget document. ~~These fees shall not be in excess of 20% of the total expense budget in any single fund or cost center. The City will strive to limit the allocations to 15% of a fund or cost center but may not exceed 20%. Adjustments to the calculated allowances may be made for funds, or cost centers, not meeting the minimum fund balance requirements or to ensure a balanced budget.~~

## **SECTION 6. REVENUE BUDGETS**

### **A. MONITORING REVENUES**

Revenues will be monitored regularly and compared to established prior year trends to ensure collections are consistent with the trends. When collections deviate from the trend, corrective action will be taken immediately.

### **B. REVENUE FORECASTING**

Projection of revenues and other resources are critical in order to understand the level of funding available for services and capital acquisition. Projections for future budget periods help determine the likelihood that services can be sustained and highlight future financial issues to be addressed. Preparing revenue projections also enhances the City's understanding of revenue sensitivity to changes in assumptions and to controllable factors such as changes to a tax rate or fee. The City will prepare multi-year projections of major revenues and other resources.

### **C. ONE-TIME REVENUE SOURCES**

To the extent practical, non-recurring revenues shall be utilized within the appropriate fund for items relating to non-recurring expenditures, capital or reserves to eliminate the fluctuations in funding operations with non-sustainable resources. Recurring revenues will be used for recurring expenditures.

### **D. REVENUE OPTIMIZATION AND DIVERSIFICATION**

The City shall attempt to optimize all appropriate revenue sources to achieve an effective mix of revenues, and shall continually seek new sources of revenue to broaden its revenue base. A forecast of revenues and past collection history of at least five years will be prepared annually as part of the budget overview and review prior to annual budget adoption. Ad valorem tax levies shall not exceed statutory millage rates. In summary, to adhere to stated revenue guidelines, the City will:

- a. Estimate its annual revenues by objective and analytical processes
- b. Periodically recalculate the full cost of activities currently supported by user fees and charges to identify the impact of inflation and other cost increases
- c. Set fees and user charges for each enterprise fund, such as Water, Sewer, Stormwater and Reuse, at a level that fully supports the total direct and indirect costs of operations and debt service

- d. Not charge non-General Funds, or Building Department, more than 10% in administrative fees by the General Fund
- e. Maintain a diversified and stable revenue system to insulate it from short-term fluctuations in any one-revenue source

#### **E. GRANTS**

It is the City's policy that all applications and acceptance of grant funds be approved by the City Commission. If the City is in possession of an executed grant contract during the budget process, the grant will be fully budgeted, however if a contract has not been completed at the time of budget, a budget amendment to establish budget for the grant will be presented to Commission during the year.

Upon completion of a grant, programs once funded by grant revenues are reviewed on a case-by-case basis to determine whether the program should be continued utilizing City funds. The decision to continue will be made by the City Commission during the budget review process. The City has no obligation to continue either grant-funded positions or grant funded programs if continued grant funding is not available. Based on the City's strategic plan and preliminary budget guidelines, staff will make grant allocation recommendations to the Commission.

#### **SECTION 7. CAPITAL IMPROVEMENT PLAN**

The City will prepare a five-year capital improvement plan (CIP) to be updated annually. This will assist in the planning, acquisition, and financing of capital projects. A major capital project generally is defined as an expenditure that has an expected useful life of more than five years with an estimated unit cost of \$20,000 or more, or an improvement/addition to an existing capital asset. Examples include building/infrastructure, construction, park improvements, utility improvements, land acquisitions, heavy equipment and computer/software systems.

Major capital projects within the Enterprise Funds will be budgeted in the fund which supports the project and funded with all available resources. Any major capital project supported by the General Fund or the Road and Bridge Fund will be budgeted in the Capital Projects Fund. For example, a water project will be budgeted within the Water/Sewer Fund and a road project will be budgeted in the Capital Projects Fund. Non-major capital projects/purchases will be budgeted in the operating budgets of the cost centers. Examples of non-major capital projects/purchases could include small upgrades to sidewalks, improvements to buildings under \$20,000, or any capital project/purchase under \$20,000. With the involvement of the responsible departments, the Finance Department will prepare the capital budget in conjunction with the operating budget.

#### **A. PROJECT LENGTH BUDGET**

The CIP budget shall be developed based upon defined projects approved by the City Commission. Budget appropriation shall cover the period of time estimated to complete the project and include the complete project costs with contingency amounts as appropriate.

#### **B. BUDGET PREPARATION**

Each department, in conjunction with the Mayor and City Commission, will identify potential capital projects throughout the year. All identified projects will be added to the CIP document, regardless of available funding. These identified projects provide a method of tracking and planning for the future needs of the City. Every effort will be made to identify those projects committed by the City Commission.

The City Commission will approve the five-year CIP plan however, only one year will be approved for budgetary purposes. In the event that unfunded projects are included in the CIP they will be listed as unfunded.

#### **C. AUTHORIZATION OF BUDGET ADJUSTMENTS AND AMENDMENTS**

Department Heads must submit budget amendment requests transferring appropriations from one line item to another within the same project. The Finance Department and City Clerk shall review and approve all requests for budget transfers. Adjustments from appropriations that have been obligated, committed, or reserved for a designated purpose shall not be transferred until a formal de-obligation occurs. The de-obligation of budget dollars to a specific project will only occur after the completion of the project or when a project surplus is identified and funding is no longer necessary.

Projects requiring an increase/decrease in total project budget, or a transfer between projects, must have City Commission approval through a budget amendment. Transfers within line items of an individual project require notification of the Mayor who may inform the Commission.

#### **D. BUDGET CONTROL REPORTS**

The City shall maintain a system of budgetary control reports to assure adherence to the budget. The City will prepare and distribute to departments, timely

monthly financial reports comparing actual revenues, and outstanding encumbrances and expenditures with budgeted amounts.

#### **E. APPROPRIATIONS AT YEAR END**

Capital project appropriations shall carry forward to the subsequent budget period an equal amount of any encumbrances/purchase orders issued as of the close of the fiscal year. Purchases encumbered in the current year, but not received until the following year, must be charged against each department's subsequent year carry-over appropriation. Any remaining appropriation available by project at year-end must be re-appropriated.

### **SECTION 8. SUBMISSION OF THE BUDGETS TO CITY COMMISSION**

#### **A. ACTION BY THE CITY COMMISSION TO PRESENT STRATEGIC PLANS AND GOALS FOR THE BUDGET YEAR**

Strategic planning is a comprehensive and systematic management tool designed to help the City assess the current environment, anticipate and respond appropriately to changes in the environment, envision the future, increase effectiveness, develop commitment to the City's mission and achieve consensus on strategies and objectives for achieving that mission. The strategic plan should provide a long-term perspective for service delivery and budgeting, while establishing logical links between authorized spending and broad organizational goals. The City's objectives for a strategic plan will help determine how the resources available can be tied to the future goals, and assist in the preparation of a long-term financial plan.

The City Commission will establish a strategic plan, along with the City's stated mission and objectives for achieving that mission. A financial plan will be developed for a period of three to five years to assess the financial implications of current and proposed policies, programs and assumptions and illustrate the likely financial outcomes of particular courses of actions. The strategic and financial plan will be reviewed annually.

#### **B. ACTION BY THE CITY CLERK AND MAYOR TO PRESENT BUDGETS TO CITY COMMISSION**

The City Clerk must submit all proposed operating and capital budgets to City Commission by July for their consideration and review. The submitted budgets will be accompanied by a message from the Mayor and City Clerk containing a statement of the general fiscal policies of the city, the important features of the budget, explanations of major changes recommended for the next fiscal year, a general summary of the budget, and such other comments and information as they may deem pertinent.



The operating budget, capital budget, the budget message, and all supporting documents shall be filed in the office of the City Clerk and shall be open to public inspection throughout the budget process in accordance with the Public Records Act set forth in Chapter 119, Florida Statutes.

### C. PUBLIC HEARINGS AND ANNOUNCEMENTS

The City Commission will hold public meetings during middle through late summer to review the City's budget as presented to them by the City Clerk, and make changes as deemed necessary. Once all changes are made and the budget balanced, duly advertised public hearings will be held in accordance with TRIM rules as stated in Florida State Statutes.

### D. PASSAGE OF THE BUDGET

City Commission shall adopt the operating and CIP budget through resolution in a timely manner according to the TRIM rules. Any subsequent changes to the budget will be addressed in accordance with amendment procedures previously stated.

SECTION 3. If any section, subsection, clause or provision of this resolution is held invalid, the remainder shall not be affected by such invalidity.

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SECTION 4. All resolutions or parts of resolutions in conflict herewith shall be and hereby are repealed.

SECTION 5. This Resolution shall take effect as provided for by City Charter, Section 14, upon execution by the Mayor or, if disapproval occurs, upon reconsideration by the City Commission and passing of the Resolution by at least four (4) votes.

PASSED AND DULY ADOPTED, in regular session, by the City Commission of the City of Palmetto, with a quorum present and voting, this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

-CITY OF PALMETTO, FLORIDA, BY

AND THROUGH THE CITY  
OF THE CITY OF

COMMISSION  
PALMETTO

By: \_\_\_\_\_

SHIRLEY GROOVER BRYANT,

MAYOR

ATTEST: James R. Freeman

City Clerk

## Budget Policy Timeline

<u>Section</u>	<u>Description</u>	<u>Plan of Action</u>	<u>Expected Implementation Date</u>
Section 3F	Develop and implement a financial forecasting system	Purchase Forecast Pro with training for a total cost of less than \$2000	1/1/2011
Section 4A	Adjustments to Fund Balance for inventory and other assets and liabilities	Standard procedure per GAAP	Current practice
Section 4C	Utilization of Fund Balance in excess of required reserves	A recommendation will be presented to Commission	2nd quarter FY2011
Section 4D	Reserves for Capital Acquisitions	A recommendation will be presented to Commission	2nd quarter FY2011
Section 4E	Replenishment of insufficient reserves	A recommendation will be presented to Commission	2nd quarter FY2011
Section 5D	Implementation of Performance Measures	Once Department Heads and managers are instructed in performance measures, they will be included in quarterly reports and the budget	Budget 2012
Section 5E	Status of encumbrances at year end	A budget amendment was approved by Commission at the Oct 18, 2010 meeting	October 18th
Section 5F	Budget control reporting	Quarterly and monthly reports are now given to Commission	Current practice
Section 5G	Authorization of Budget Transfers and Amendments	Current Practice - no change	Current practice
Section 5H	Contingency Line-Item	Current Practice - no change	Current practice
Section 6B	Revenue Forecasting	Purchase Forecast Pro with training for a total cost of less than \$2000	1/1/2011
Section 6D(c)	Revenue Optimization and Diversification - User fees	Recommend to Commission to obtain a new User Fee Rate Study	By 9/30/2011
Section 7	CIP	FY2012 Budget will include CIP projects during the normal budget cycle	By 9/30/2011